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# **COSTS and RETURNS**



**Commercial  
Corn Belt  
Farms**

**1962**

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States, conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

Publications in this series are:

- Costs and Returns, Commercial Dairy Farms, Northeast and Midwest, 1962
- ✓ Costs and Returns, Commercial Corn Belt Farms, 1962
- ✓ Costs and Returns, Commercial Egg-Producing Farms, New Jersey, 1962
- Costs and Returns, Commercial Broiler Farms, Delmarva and Maine, 1962
- ✓ Costs and Returns, Commercial Cotton Farms, 1962
- ✓ Costs and Returns, Commercial Tobacco Farms, Coastal Plain, North Carolina, 1962
- ✓ Costs and Returns, Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky, 1962
- ✓ Costs and Returns, Commercial Wheat Farms, Plains and Pacific Northwest, 1962
- Costs and Returns, Western Livestock Ranches, 1962

Summary statistics for all types of farms in the series are presented in the annual report, Farm Costs and Returns, Commercial Farms, by Type, Size, and Location, Agriculture Information Bulletin No. 230, Revised, 1963. In this annual report, information is given for 1962 with comparisons with 1961 and 1960, and the period 1957-59.

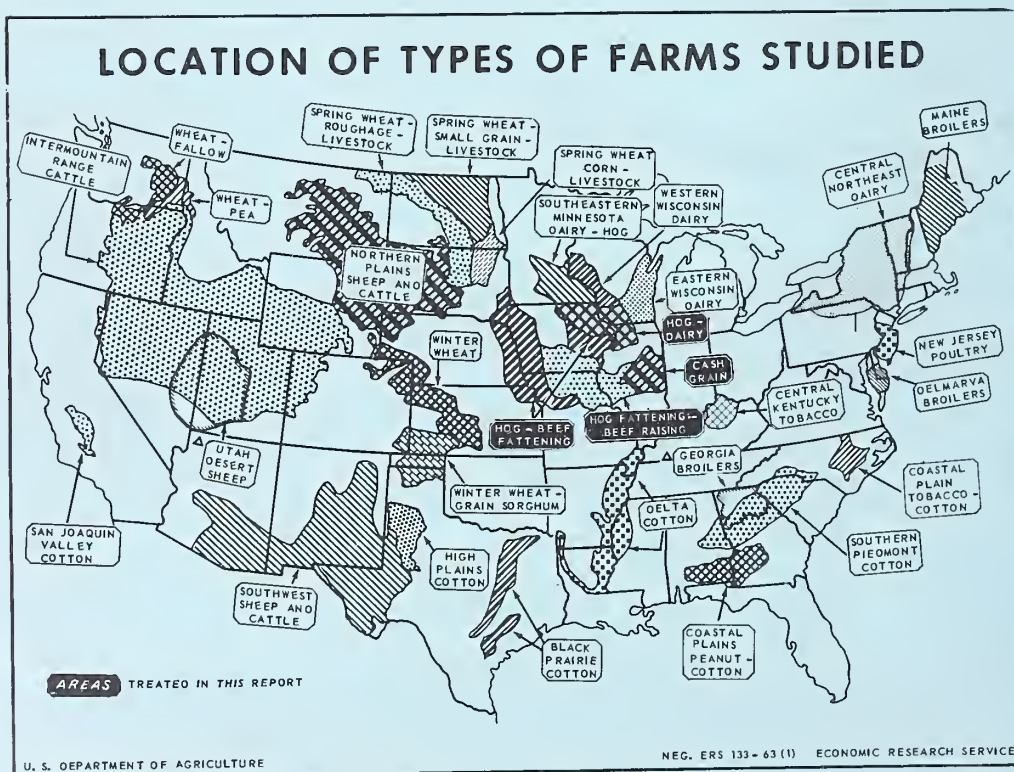


Figure 1.

# COSTS AND RETURNS, COMMERCIAL CORN BELT FARMS, 1962

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Net returns in 1962 were lower for hog-dairy and hog fattening—beef raising farms, about the same on cash grain farms, and higher on hog-beef fattening farms (fig. 1 and table 1). Net farm incomes on these commercial Corn Belt farms in 1961 and 1962 were:

| <u>Farms</u>       | <u>1961</u> | <u>1962</u> |
|--------------------|-------------|-------------|
| Hog-dairy - - - -  | \$5,972     | \$5,394     |
| Hog fattening—     |             |             |
| beef raising - - - | 4,042       | 3,616       |
| Hog-beef fattening | 7,393       | 10,183      |
| Cash grain - - - - | 8,995       | 9,061       |

The changes in net income from 1961 to 1962 resulted largely from changes in production and prices received for the major products sold on the respective farms. Farm production and total expenditures were higher on each of the farm types studied. Prices received in 1962 for corn and hogs averaged near a year ago, soybeans and milk followed proportionately the lower price supports for these products, and cattle prices were above 1961 levels. Crop yields were higher on hog-dairy and hog-beef fattening farms. They were lower on the cash grain and hog fattening—beef raising farms mainly because of drought conditions in the southern portion of the Corn Belt.

## Hog-Dairy Farms

Net farm income on hog-dairy farms in 1962 averaged about 10 percent below a year earlier (table 1). Higher operating expenses accounted for the decline as gross farm income remained unchanged from 1961 levels. Higher prices paid for production inputs combined with larger quantities purchased were largely responsible for the increased expenditures. The greatest increases in expenditures from 1961 were for feed, power, machinery, and taxes.

The trend to larger farms and more livestock continued during 1962 on hog-dairy farms. Despite slightly higher yields the increased participation in the Feed Grain Program reduced crop production below 1961. Total production of hogs and milk were slightly higher than in 1961, but by not enough to offset the effect of lower prices received for milk. Milk prices were below last year, chiefly because of the lower 1962 support rates for manufacturing milk.

Dairy cow numbers increased about 1 percent between 1961 and 1962, but the upward trend in milk production per cow has apparently slowed. An increase in size of



Table 1.- Organization, costs, and returns, specified Corn Belt farms, 1961 and 1962

| Item                                                 | Unit   | Hog-dairy |         | Hog fattening—<br>beef raising |         | Hog-beef<br>fattening |         | Cash grain |         |
|------------------------------------------------------|--------|-----------|---------|--------------------------------|---------|-----------------------|---------|------------|---------|
|                                                      |        | 1961      | 1962 1/ | 1961                           | 1962 1/ | 1961                  | 1962 1/ | 1961       | 1962 1/ |
| Land in farm.....                                    | Acre   | 182       | 184     | 259                            | 267     | 221                   | 227     | 254        | 261     |
| Cropland harvested.....                              | do.    | 106       | 108     | 112                            | 119     | 142                   | 147     | 192        | 198     |
| Crop yields per acre:                                |        |           |         |                                |         |                       |         |            |         |
| Corn for grain.....                                  | Bushel | 79.0      | 79.0    | 61.0                           | 57.6    | 74.2                  | 76.5    | 86.1       | 86.1    |
| Oats.....                                            | do.    | 52.6      | 53.6    | 40.4                           | 38.0    | 47.9                  | 47.9    | 61.9       | 59.9    |
| Soybeans.....                                        | do.    | 2/        | 2/      | 26.7                           | 25.1    | 2/                    | 2/      | 30.2       | 30.2    |
| Hay.....                                             | Ton    | 2.5       | 2.6     | 1.9                            | 1.8     | 2.4                   | 2.5     | 2.1        | 2.1     |
| Pigs raised.....                                     | Number | 143       | 144     | 113                            | 125     | 187                   | 196     | 38         | 39      |
| Cattle sold.....                                     | Cwt.   | 2/        | 2/      | 2/                             | 2/      | 714                   | 819     | 2/         | 2/      |
| Milk production per cow.....                         | Pound  | 7,550     | 7,550   | 2/                             | 2/      | 2/                    | 2/      | 2/         | 2/      |
| Total farm capital, Jan. 1.....                      | Dollar | 56,420    | 59,530  | 51,550                         | 54,510  | 87,430                | 94,570  | 111,990    | 118,220 |
| Land and buildings.....                              | do.    | 38,040    | 39,930  | 34,480                         | 37,110  | 59,890                | 64,240  | 100,080    | 105,970 |
| Machinery and equipment.....                         | do.    | 7,300     | 7,480   | 5,940                          | 6,180   | 7,790                 | 8,000   | 7,380      | 7,620   |
| Livestock.....                                       | do.    | 7,230     | 7,390   | 7,870                          | 7,420   | 13,480                | 15,230  | 2,980      | 2,870   |
| Crops.....                                           | do.    | 3,850     | 4,730   | 3,260                          | 3,800   | 6,270                 | 7,100   | 1,550      | 1,760   |
| Total labor used.....                                | Hour   | 4,460     | 4,520   | 3,530                          | 3,640   | 4,240                 | 4,400   | 3,130      | 3,140   |
| Hired.....                                           | do.    | 450       | 450     | 240                            | 250     | 550                   | 570     | 310        | 310     |
| Total cash receipts.....                             | Dollar | 12,280    | 12,268  | 8,445                          | 9,167   | 25,299                | 31,924  | 16,496     | 17,470  |
| Crops.....                                           | do.    | 563       | 792     | 1,230                          | 1,314   | 0                     | 0       | 12,224     | 12,823  |
| Hogs.....                                            | do.    | 5,006     | 5,122   | 3,900                          | 4,363   | 6,741                 | 7,286   | 1,444      | 1,454   |
| Cattle.....                                          | do.    | 1,554     | 1,315   | 2,276                          | 2,556   | 16,868                | 23,124  | 1,187      | 1,561   |
| Livestock.....                                       | do.    | 4,800     | 4,634   | 509                            | 391     | 899                   | 705     | 517        | 430     |
| Other, including Government payments.....            | do.    | 357       | 405     | 530                            | 543     | 791                   | 809     | 1,124      | 1,202   |
| Value of perquisites.....                            | do.    | 864       | 904     | 645                            | 687     | 1,020                 | 1,104   | 916        | 983     |
| Change in inventory of crops and live-<br>stock..... | do.    | 604       | 586     | 580                            | 16      | -90                   | 674     | -50        | -422    |
| Gross farm income.....                               | do.    | 13,748    | 13,758  | 9,670                          | 9,870   | 26,229                | 33,702  | 17,362     | 18,031  |

Table 1.- Organization, costs, and returns, specified Corn Belt farms, 1961 and 1962 - Continued

| Item                                                   | Unit   | Hog-dairy |         | Hog fattening--<br>beef raising |         | Hog-beef<br>fattening |           | Cash grain |         |
|--------------------------------------------------------|--------|-----------|---------|---------------------------------|---------|-----------------------|-----------|------------|---------|
|                                                        |        | 1961      | 1962 1/ | 1961                            | 1962 1/ | 1961                  | 1962 1/   | 1961       | 1962 1/ |
| Total cash expenditures.....                           | Dollar | 7,834     | 8,464   | 6,003                           | 6,633   | 18,943                | 23,803    | 8,373      | 9,101   |
| Feed purchased.....                                    | do.    | 1,431     | 1,533   | 968                             | 1,101   | 2,981                 | 5,392     | 512        | 547     |
| Livestock expense.....                                 | do.    | 361       | 424     | 223                             | 242     | 3/ 9,442              | 3/ 11,272 | 115        | 115     |
| Fertilizer and lime.....                               | do.    | 393       | 431     | 512                             | 584     | 420                   | 482       | 998        | 1,135   |
| Other crop expense.....                                | do.    | 432       | 491     | 332                             | 389     | 450                   | 563       | 571        | 654     |
| Machinery.....                                         | do.    | 2,951     | 3,165   | 2,268                           | 2,384   | 2,955                 | 3,224     | 3,215      | 3,543   |
| Farm buildings and fences.....                         | do.    | 797       | 830     | 688                             | 760     | 891                   | 925       | 672        | 705     |
| Labor hired.....                                       | do.    | 495       | 511     | 240                             | 255     | 623                   | 658       | 326        | 336     |
| Taxes.....                                             | do.    | 724       | 807     | 630                             | 752     | 936                   | 1,027     | 1,788      | 1,875   |
| Other.....                                             | do.    | 250       | 272     | 142                             | 166     | 245                   | 260       | 176        | 191     |
| Change in inventory of machinery and<br>buildings..... | do.    | -58       | -100    | -375                            | -379    | -107                  | -284      | -6         | -131    |
| Total operating expenses.....                          | do.    | 7,776     | 8,364   | 5,628                           | 6,254   | 18,836                | 23,519    | 8,367      | 8,970   |
| Net farm income.....                                   | do.    | 5,972     | 5,394   | 4,042                           | 3,616   | 7,393                 | 10,183    | 8,995      | 9,061   |
| Index numbers (1957-59=100):                           |        |           |         |                                 |         |                       |           |            |         |
| Net farm production.....                               | ---    | 102       | 103     | 105                             | 104     | 108                   | 110       | 114        | 117     |
| Crop yields per acre.....                              | ---    | 104       | 105     | 102                             | 96      | 107                   | 110       | 117        | 116     |
| Total cost per unit of production...                   | ---    | 110       | 115     | 108                             | 117     | 106                   | 110       | 96         | 98      |
| Prices received for products sold...                   | ---    | 105       | 101     | 102                             | 104     | 95                    | 108       | 102        | 102     |
| Prices paid, including wages to<br>hired labor.....    | ---    | 103       | 107     | 103                             | 107     | 98                    | 96        | 102        | 102     |

1/ Preliminary. 2/ Not applicable. 3/ Includes purchased feeder cattle.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

milking herd raised total milk production per farm to more than 140,000 pounds--an all-time high on these farms.

Hog-dairy operators received lower prices in 1962 for cows and poultry products as well as for milk. The only significant increase in prices received was for calves. Prices received for hogs remained about the same as in 1961.

#### Hog Fattening—Beef Raising Farms

In 1962, net farm income on hog fattening—beef raising farms averaged about \$3,616 compared with \$4,042 in 1961. Gross farm income was up \$200 in 1962 but total expenditures were up almost \$600. Record high prices paid by these operators for a somewhat larger quantity of production inputs were the major factors contributing to the increase. Expenditures for feed, taxes, machinery and crop expenses increased the most from 1961 levels.

Prices received in 1962 for the important commodities sold on these farms were generally about the same as a year ago with the exception of cattle. Cattle prices averaged more than \$1.00 per hundredweight higher in 1962 than a year earlier. Cattle production on these farms was also about 6 percent above 1961 levels. Production of hogs increased more than 10 percent and prices for the year averaged near the \$16.60 received in 1961.

Crop yields were lower in 1962 than 1961 (table 1). The increase in cropland per farm about offset the lower yields in the case of feed grains. Acres of soybeans, on the other hand, increased sufficiently to raise production 9 percent above 1961 levels. The acreages of feed

grains were held down by continued heavy participation in the Feed Grain Program.

#### Hog-Beef Fattening Farms

In 1962, net farm incomes on hog-beef fattening farms averaged about \$10,183 per farm, an increase of almost \$2,800 from 1961. This increase was largely the result of the first favorable price spread between feeder cattle and fed cattle prices since 1958 (fig. 2). During 1959-61, the price paid per hundredweight for feeder cattle was greater than the price received as fat cattle almost a year later. Both prices paid for feeders and prices received for fat cattle were higher during the 1962 feeding season than the previous season. However, prices received for fat cattle increased enough to establish a positive price spread of approximately \$1.75 per hundred pounds.

Total operating expenses of these farmers were about one-fourth higher in 1962 than in 1961. The main factors accounting for this increase were higher prices paid for feeder cattle and increased cost rates and quantities of items required in an increased livestock program. Another factor contributing to higher operating expenses was the higher cost of production inputs, including machinery, taxes, and crop expenses.

Many factors helped to increase gross farm income relative to total expenditures on hog-beef fattening farms. Increased production of both hogs and cattle were important but the main difference from the other important Corn Belt farms is illustrated by the index of prices received (table 1). In 1962, hog-beef fattening farms had a more favorable price



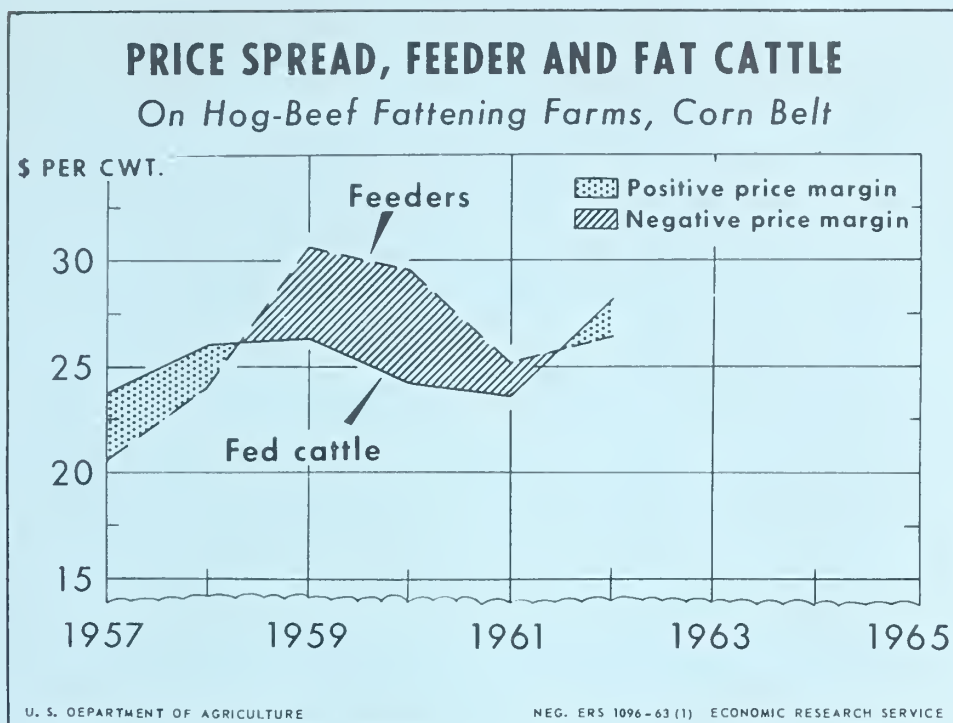


Figure 2

ratio. Hog-beef fattening operators benefited particularly from the relatively favorable price for beef cattle.

#### Cash Grain Farms

Net farm income on cash grain farms in 1962 averaged close to the \$9,000 reported per farm in 1961. Increased receipts from corn and soybeans were about offset in 1962 by a 9 percent increase in cash expenditures. Livestock receipts also were higher in 1962 chiefly because of heavy culling rates of breeding stock. Harvested acres of corn and soybeans increased last year at the expense of small grains.

Prices received for corn and oats in 1962 remained unchanged from 1961. Higher support prices last year resulted in a 20-cent per bushel increase for wheat, while

lower price supports for soybeans caused a decline of 5 cents per bushel for soybeans. Hog prices averaged near 1961 levels while prices received for cattle in 1962 jumped 6 percent over those a year earlier.

Corn acreage per farm increased about 5 percent from 1961 to 1962. However, most of this was due to an increase in the number of acres per farm as participation in the Feed Grain Program remained high.

Total farm expense increased in 1962 to about \$8,970 per farm, thereby, continuing a long-run upward trend. The higher costs of replacing equipment, seed, and supplies were important in raising expenses above 1961. The price-squeeze continued, and 1962 became another year when farm size and production had to be increased to maintain net farm incomes.

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